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Public Service Commission

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June 7, 1996

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

BY FEDERAL EXPRESS

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Re: Allocation of Costs Associated with Local Exchange Carrier Provision of Video Programming Services - CC Docket No. 96-112

Dear Mr. Caton:

Enclosed are the original and twelve copies of the Florida Public Service Commission's reply comments in the above docket. Please date-stamp one copy and return it in the enclosed self-enclosed stamped envelope.

Sincerely,

Cynthia B. Miller

Cynthia B. Miller
Associate General Counsel

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BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

In the matter of:	)	FCC 96-214
	)	
Allocation of Costs Associated with Local Exchange Carrier Provision of Video Programming Services.	)	CC Docket No. 96-112

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<u>REPLY COMMENTS OF THE FLORIDA PUBLIC SERVICE COMMISSION</u>

On May 24, 1996, comments were filed by the Florida Public Service Commission (FPSC) in response to the Notice of Proposed Rulemaking (NPRM) issued by the Federal Communications Commission (FCC) regarding the Allocation of Costs Associated with Local Exchange Carrier Provision of Video Programming Services. Additional information provided by several parties has caused us to develop our opinions further as to the allocation of costs for video programming. We believe the FCC should develop more detailed procedures regarding the allocation of the costs of providing video programming because of the potential magnitude of the joint and common investment used to provide this non-regulated service.

Several parties commented as to the most appropriate regulated/non-regulated allocation procedure to apply to a Local Exchange Company's (LEC) joint and common plant investment and associated expenses for the provision of both video programming and telephony. Investment and expenses should be directly assigned to regulated or non-regulated operations when possible. We continue to support a fixed percentage allocation; however, we believe the percentage should be based on a reasonable methodology. We believe that there appears to be merit in the proposals of AT&T and MCI which state that the appropriate percentage allocation of the joint and common investment between regulated and non-regulated operations should be calculated based upon a methodology that determines the individual costs to each LEC in each period. This would involve determining, on a periodic basis, the relative percentage of the cost of providing only video programming as compared to the sum of the total cost of separately providing video programming and separately providing telephony. This percentage would then be applied to the joint and common plant to allocate an amount to non-regulated activities. Further, we believe that the percentage should be applied to all joint and common plant that is video programming-capable, as opposed to only that which is currently providing video programming services. Finally, we believe the allocation of network-related expenses should be based on the network plant allocation.

The allocation of spare capacity is another issue that many parties commented on. As the United States Telephone Association (USTA) points out, on pages 20 and 21 of its comments, spare capacity is appropriate in the normal course of offering telephone service and is, to some extent, desirable in order to provide adequate and timely service. The FPSC agrees that there may be a certain amount of spare capacity needed to provide telephone service.

The difficulty for many LECs and state commissions is in determining the appropriate amount of spare capacity needed to provide regulated services. As MCI points out, on pages 15 and 16 of its comments, there may be an excess amount of spare capacity in some LEC areas. Excess spare capacity is the amount above and beyond the spare capacity needed to provide adequate and timely telephone service and, in the future, may be used for the provision of non-regulated services. Excess spare capacity should not be allocated to regulated operations. What constitutes excess spare capacity is not readily determinable. The FCC should develop policies and procedures, in this or future proceedings, that will guide the states in defining excess spare capacity and the appropriate level of spare capacity for the provision of telephone service.

Finally, the NPRM touched on a variety of issues associated with the allocation of costs between regulated and non-regulated operations which warrant special attention. There were additional points brought up by commenting parties that add to the breadth of issues already included in this proceeding. For example, several commentors proposed new methodologies for allocating the investment and expense, and still others posed the question to what portion of the LEC investment should any new rules apply: all investment or only new investment. As we discussed in our original comments, because of the time constraints placed on the comment and reply comment cycles, this proceeding should be perceived as an interim measure and further extensive analysis should be initiated in the future to fully address the issues brought out in this docket.

In summary, the FPSC believes that there appears to be merit in the proposals of AT&T and MCI which state that a percentage of a LEC's video programming-capable joint and common plant investment and associated expense should be allocated to non-regulated operations based upon the calculated, relative percentage of the LEC's individual costs associated with providing such service. In addition, we believe that the FCC should develop policies and procedures, in this or future proceedings, that will guide the states in defining excess spare capacity and the appropriate level of spare capacity for the provision of telephone service. Finally, due to the limited amount of time given to complete this proceeding and due to the breadth of issues it encompasses, further consideration should be given to these issues in future proceedings.

Respectfully submitted,

Cynthia Miller
Senior Attorney

FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Boulevard
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DATED: June 7, 1996

BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

In the matter of:	)	FCC 96-214
	)	
Allocation of Costs Associated with Local Exchange Carrier Provision of Video Programming Services.	))))	CC Docket No. 96-112
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Reply Comments of the Florida Public Service has been furnished to the parties of record on the attached list this 7th day of June, 1996.

Cynthia B. Miller
Senior Attorney

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